

# PAYROLL PROCEDURES MANUAL

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(Revised 06/08)

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## SUBJECT: INTRODUCTION

### REFERENCES

(Revised 12/85)

G.C.	12470-12479, 16390-16395, 18003
SAM	8500-8599
Board of Control Rules	652, 660
Constitution of California	Article XIII, Section 21

### UNIFORM STATE PAYROLL SYSTEM

**A 001**

(Revised 03/02)

The Uniform State Payroll System (USPS) was started in the early 1950's. Departments entered on a flow basis and by 1954 all of the current state agencies and CSU campuses were combined in the SCO, Division of Disbursements payroll process.

There are other state entities that are not a part of the USPS--University of California, Legislative staff, Auditor General, etc.

In 1976, the payroll section of Division of Disbursements was combined with the new Personnel Services of Personnel Information Management System (PIMS) to form the current Personnel/Payroll Services Division (PPSD) of SCO. PPCS, in conjunction with the Division of Disbursements and Division of Accounting, are responsible for preparing and releasing all payroll warrants and related reports (see Organization Chart in PPM Section Z, Attachment A-1).

SAM prescribes pay periods and sets forth the statewide policies, procedures, regulations and information on payrolls. The PAM/PIMS instruct agencies/campuses in the preparation of employment history change forms. This Payroll Procedures Manual (PPM) prescribes detailed payroll procedures not provided elsewhere and coordinates instructions of various authorities on specific payroll subjects.

## **CLAIMS AND ADJUSTMENTS**

**A 002**

(Revised 12/85)

State Board of Control prescribes the manner in which claims shall be filed with SCO under the USPS and prescribes the certifications to be used on payroll and position changes and attendance reports.

Payroll changes may be made automatically by SCO when such changes are by law or contract, without the need for payroll change documents. Most notices of miscellaneous deductions are received directly from the deduction companies but notices of retirement savings bond, etc. deductions are received from the agencies. With some exceptions, deduction forms are processed as minor payroll changes and do not involve the payroll change certifications prescribed for the legally more significant information such as personnel change transactions, salary rate changes, etc.

No payment is made by SCO unless it is supported by an original payroll claim. Also, no payment is made without first ascertaining, as required by the Constitution, that an unexhausted appropriation exists and that funds are available in the State Treasury.

Payments of compensation to persons rendering service to the state as independent contractors from the "Salaries and Wages" category of expenditures are expressly prohibited and, therefore, may NOT be treated as payroll items under the USPS. Instead, such compensation should be obtained by filing a general claim with Division of Audits, for payment as an operating expense.

## **TYPICAL CYCLE OF MONTHLY OPERATIONS**

**A 003**

(Revised 03/02)

On a day-to-day basis, each agency is expected to prepare documents and route them to Payroll Operations and Personnel Services.

SCO processes changes to Employment History based on personnel transaction documents and input from Decentralized Payroll received during the period as well as establishes correct payments for employment of less than the full pay period.

The agency/campus maintains daily attendance reports reflecting personnel and attendance transactions. On a prescribed cutoff date in each payroll period the agency/campus report docks for employees absent on noncompensable status.

SCO makes all computations and prepares the payrolls. These are referred to as "negative" payrolls because attendance reports have not been submitted and no working payrolls have been cleared with agencies/campuses when the payrolls are prepared. This payroll writing operation is performed for the majority of state employees during the period from the cutoff day in each pay period to the 27th and 28th of the month.

The warrants (paychecks), Direct Deposit Advices, and warrant registers are sent to the

agencies/campuses in time to permit a reconciliation of the payrolls and attendance reports and to ensure the delivery of warrants and Direct Deposit Advices to employees on the first work day following the close of the pay period.

Near the close of the pay period after receiving the master payroll, an agency/campus reconciles the time to be paid. Time for each employee is reported by position. The differences between payrolls and attendance reports are recorded on the Report of Exception to Payroll.

Having completed the reconciliation, the agency/campus releases the warrants which are drawn either in payment of the time actually worked or for less than the amount due employees. The warrants drawn in excess of the amounts due the employees are returned to SCO. The improper warrants are redeposited and corrected warrants are issued on the basis of corrected attendance information and Employment History change documentation. SAM provides for salary advances if legally payable salary warrants are delayed.

If an overpayment occurs under these procedures, provisions exist for recovery of the overpayment.

Some employees of the state are paid on a "positive attendance" reporting basis. This means that attendance reports must be processed by the employing agencies before SCO prepares the payroll. Some employing agencies release these payrolls immediately, but others hold the payrolls for distribution on fixed dates.

In addition to the regular monthly, semimonthly, and positive payrolls, there are payrolls written daily for payment of overtime, special premium pay, immediate payments to separating employees, corrected salary payments, and payroll accounting adjustments, etc.

Payroll packages are released each day and normally contain warrants and related earnings statements, Direct Deposit Advices, warrant registers of disbursements and adjustments, notices of payroll revolving fund transfers, reports of exception to payroll, notices of claims paid, and listings of suspended payments.

## **BUSINESS MONTH**

**A 004**

(Revised 01/08)

For accounting control of the payroll disbursements, SCO has established the period from the second of one month through the first of the next month as a "business month." This permits a current, strict accounting control of the state payroll disbursements from the State Payroll Revolving Fund. This fund is a clearing account only and is not funded.

Reports of deductions and taxes are prepared from the first through the tenth of each month. This includes the accounting and reporting of all transactions for the business month which ended on the first of the month.

If requested, voluntary deductions withheld from warrants with issue dates of the 2nd through the 16th are disbursed to the companies/associations on the 16th. Social Security, Medicare and State Disability Insurance.

## **INTERNAL PAYROLL AUDITS**

**A 005**

(Revised 06/95)

SCO, Management Audit and Review Section (MARS), periodically conducts an internal payroll audit which is independent of any control by PPSD. The purpose of the audit is to ascertain that USPS procedures are being followed and disbursements are being accounted for and correctly made. As part of this audit program, the auditors also determine that: 1) payments are made within the prescribed period following receipt of the legal basis for payment, 2) payments are made on regular payroll date for employees, and 3) on the prescribed dates, settlements are made with agencies or companies for whom payroll deductions are made.

## **DISTRIBUTION OF PAYROLL WARRANTS TO EMPLOYEES**

**A 006**

(Revised 06/95)

Payrolls are released to agencies/campuses that distribute warrants to their employees. Payrolls are released to agency messengers or other personnel authorized to pick up warrants or are mailed by the Division of Disbursements to addresses furnished by the agencies/campuses.

Arrangements must be made by letter to the Chief, Division of Disbursements, if changes are required. Agencies/campuses are responsible for prompt notification of address changes, etc.

Payrolls for monthly salary rate employees paid on negative attendance bear an issue date of the day following the close of the pay period (or the first of the month if the pay period ends that day). Payrolls for employees paid on positive attendance bear varying issue dates. Agencies/campuses should adopt schedules and practices in the release of salary warrants to conform with the state objective of each employee having a fixed or determinable pay date.

It is imperative that the distribution of payroll warrants to employees be so timed as to absolutely preclude the warrants being presented to the State Treasurer prior to the date of issue either through bank clearing or by presentation at a cashiering window.

Payroll warrants may be released to employees on the date preceding the date of issue. Agencies/campuses may release payroll warrants on the last preceding normal workday (Monday through Friday) when the pay period ends on a Saturday, Sunday, or holiday. Warrants may NOT be given to employees until it is known that they are entitled to payment for the last day of the pay period.

Pay checks must not be cashed until just before bank closing time on the day preceding the issue date on the face of the pay check, or 4:00 PM on those days when the banks are open until 6:00 PM. Those which reach the State Treasurer prior to the issue date, must be charged back to the bank and agencies are notified of names of employees who cashed their pay checks early.

There shall be uniform pay dates for all permanent monthly salaried employees of each agency employed in the same geographic area and such pay dates shall not be more than ten calendar days following the closed of the pay period.

## **REPORTS**

**A 007**

(Revised 06/86)

SCO records provide the basis for the preparation of: 1) withholding tax settlement and reports, 2) retirement reports, 3) statements and settlements for insurance carriers, employee organizations, etc., 4) analyses of certain payrolls and payroll costs, 5) accounts for U.S. Savings Bond purchases, 6) budgetary salary and wage expenditure audit reports, and 7) annual budgetary schedules of actual and anticipated salary and wage data.

## **TRAINING AND AGENCY PERSONNEL**

**A 008**

(Revised 12/98)

An agency/campus may arrange with PPSD to have new accounting clerks, personnel assistants, and managers instructed in the procedures and methods of payroll duties.

PPSD personnel is trained as to the nature and extent of assistance they may provide. Great emphasis has been placed upon the requirement that there be no interference with the effective functioning of agency/campus internal lines of authority and responsibility.

## **PAYROLL LETTERS**

**A 009**

(Revised 11/04)

Payroll Letters are sent via OutLook – electronic Mail or Decentralized OfficeVision (OV) and are numbered sequentially by calendar year. These letters serve the following purpose:

1. An interim procedure until the PPM is updated.
2. A reminder for annual processes--fiscal or calendar year activity.
3. Instructions/notifications of mass updates for reorganization, tax changes, etc.

NOTE: By subscribing to the automated list (CSESCODC) via [Listserv@Listserv.sco.ca.gov](mailto:Listserv@Listserv.sco.ca.gov) The payroll letters will appear in your personal e-mail account.

## **MAGNETIC TAPE**

**A 010**

(Revised 12/98)

Various information is available to agencies/campuses, companies, associations via magnetic tape. Inquires regarding information available and tape requirements should be addressed to:

PPSD  
Magnetic Tape Coordinator  
P.O. Box 942850  
Sacramento, CA 94250-5878

Magnetic Tape Questions  
Data Management Unit  
(916) 324-0057

## **RETROACTIVE CHARGES**

**A 011**

(Revised 04/02)

Retroactivity is defined as the processing of controllable personnel transactions processed more than 20 calendar days after the effective date, or controllable payroll transactions processed more than 15 calendar days after the transaction pay period.

NOTE: Changes related to disability, SPB decisions (e.g., stipulations), court actions and SCO processing errors will be considered non-controllable.

During the first week of each month, agencies/campuses are provided a computer-generated Monthly Retroactivity Report identifying late transactions. With the report is a cover letter which identifies a cutoff date for questioning the charges. It is the responsibility of each agency/campus to review reports to insure accuracy. If there are questions related to the charges, please send a copy of the report to Payroll Operations with items clearly identified and an explanation as to why the charge is inappropriate.

Payroll Operations will research all contested charges and respond in writing to your questions. If you fail to question any of the charges by the cutoff date, you will be billed for the total amount. No late credits will be allowed.

Effective January 1, 1991, retroactive billing rates are as follows:

For each controllable personnel document	- \$2.30
For each controllable payroll transactions	- \$3.34

## **FORM COMPLETION**

(Revised 08/93)

**A 012**

Following are general instructions that apply to the completion of all payroll related forms.

1. All documents must be typed or printed in ink.
2. All documents must have an authorized signature (see Section I 500).
3. Only the ORIGINAL document is submitted to Payroll Operations. Any exception to this (additional copies) will be noted in the specific section.
4. "Employee name" always means initials and surname.

Detailed instructions are given in the special section for each type of transaction.

Incorrect information--wrong SSN, misspelled name, incorrect position, etc.--that does not agree with Employment History for each pay period will usually reject or suspend causing delay in issuing payments.

It is the responsibility of each department to maintain accurate records and process necessary documentation on a flow basis.

## **TELEPHONE CONTACTS FOR PAYROLL ACTIVITY**

(Revised 06/08)

**A 013**

Agency/campus personnel/payroll office representatives may call the numbers shown below.

NOTE: The listed phone numbers are for agency/campus personnel/payroll office representatives' use only. These are not for public use. Calls received from employees will be referred to their respective personnel/payroll offices.

1. For questions on completing a document

2. For interpretation of PPM and memos (PR 250's etc.).
3. To report errors made by Payroll Operations
4. To request duplicate preprinted forms (672, etc).

Be prepared to supply the following:

1. Your name, agency/campus name, telephone number
2. Employee name, SSN, position number of payment
3. Type of transaction/form submitted
4. Description of problem

UNIT

LOCAL #

Civil Service Telephone Liaison Unit

(916) 323-3081

Accounts Receivable  
Payroll Decentralization  
Regular Pay, Adjustments,  
Overtime, Shift and Premiums

CSU Telephone Liaison Unit

(916) 322-7980

Accounts Receivable  
Payroll Decentralization  
Regular Pay, Adjustments, Overtime,  
Shift and Premiums

(CS/CSU Benefits)

(916) 323-4718

Dental  
FlexElect  
Health  
Vision  
CoBen  
FlexCash  
Dependent Care

Direct Deposit

(916) 327-5023

Disability Telephone Liaison Unit

(916) 322-3619

Non-Industrial Disability Leave (NDI)  
Industrial Disability Leave (IDL)  
Temporary Disability Leave (TDL)

Garnishment

(916) 323-0553

Voluntary Child Support Deductions

(916) 323-0553

Voluntary Spousal Support Deductions

(916) 323-0553

Miscellaneous Deduction Liaison

(916) 324-1981

Union Dues  
Fair Share  
Credit Union  
Insurance  
Parking  
TSA's/Deferred Comp  
Group Legal

Long Term Disability  
Charitable Contributions

Non-USPS

Fringe Benefits/Employee Business Expenses	(916) 322-8105
Moving Expenses	(916) 322-8100
Salary Advances	
Agency Collection Accounts Receivable	
Refund of Over collections	
Personnel Liaison	(916) 322-6500
Premium Pay	(916) 324-5309
Retirement/Social Security/Medicare	(916) 324-1471
Retroactivity	(916) 327-0357
Statewide Locator	(916) 322-8052
Statewide Training Administrator	(916) 322-0683
Position Control	(916) 323-4928
W-2	
Duplicate Forms W-2	(916) 322-8052
Forms W-2/W-2C Liaison	(916) 322-8100
US Savings Bonds	(916) 323-9035

**PPM Coordinator**

Customer Support Section –Alice Contreras  
(916) 322 -0683 - [acontreras@sco.ca.gov](mailto:acontreras@sco.ca.gov)

Submit PPM Revisions/Suggestions for clarification – be sure to identify the Section, Sub-Section Number and the Subject.

**TO:** PPM Coordinator – Alice Contreras – [acontreras@sco.ca.gov](mailto:acontreras@sco.ca.gov)

State Controller's Office

PPSD, Customer Support Section

P.O. Box 942850,

Sacramento, CA 94250-5878

(916) 322-0683

Payroll Deduction

Mass Update Questions

Systems Activities and Coordination

Support Unit

(916) 322-7968

**TRANSMITTING PAYROLL DOCUMENTS VIA FAX**

(Revised 06/08)

**A 014**

PPSD allows certain payroll documents to be transmitted via FAX and has equipped



several machines with data encryption devices. Confidential information transmitted to PPSD is secure if encryption devices are used at both the sending and receiving FAX machines. If agencies/campuses decide the risk associated with faxing non-encrypted data is acceptable, PPSD's FAX machines can also receive non-encrypted transmissions. Agencies/campuses are strongly encouraged to purchase data encryption devices for their FAX machines should they choose to send any of the documents identified below via FAX.

The following documents may be transmitted to PPSD at the respective FAX number(s):

FAX number (916) 323-3449 or (916) 322-8137

- Garnishments received by noon on payroll master cutoff
- Form STD. 674 requesting regular pay when a garnishment is being taken
- Form STD. 674 A/R requesting account receivable for separating employee

Fax number (916) 327-7205 or (916) 322-8137

- Disability payments for current month
- Form STD. 674 requesting regular pay for a prior month

#### Problems with Faxing Documents

Production Support Section

(916) 322-8141